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FCC Chairman Kevin Martin has responded to a detailed query from Rep. Edward Markey regarding the regulator's positions on the multibillion-dollar universal service program that subsidizes telecommunications and Internet connections in rural and impoverished areas.

Markey, a Massachusetts Democrat who chairs the Energy and Commerce Telecommunications and the Internet Subcommittee, plans to hold a hearing on universal service later this year. But the congressman has balked, so far, at moving USF legislation introduced recently by Reps. Rick Boucher, D-Va., and Lee Terry, R-Neb. Senate Commerce Committee Chairman Daniel Inouye, D-Hawaii, is drafting a universal service bill in the upper chamber.

Markey's interest in the matter suggested to some industry watchers that he might be preparing to craft his own bill. "One could read into those questions certainly some intent to consider legislation," said Geoff Feiss, general manager of the Montana Telecommunications Association, which represents rural carriers. A staffer with the Massachusetts lawmaker was not immediately available for comment.

Martin's response to Markey's April inquiry surfaced publicly Monday. In his letter, Martin, a Republican, said preserving the stability of the fund "is one of the commission's most important responsibilities." He added that "the system requires fundamental reform, and I support modifying the current contribution system and moving to a more competitively and technology-neutral system."

At present, carriers contribute to the fund based on revenue from long-distance and international telephone traffic. Martin supports a numbers-based methodology because it would expand the base of contributors by not favoring any particular technologies or services.

But critics argue that his approach would place a larger financial burden on low-income and elderly citizens by requiring them to pay a flat USF fee on their bills. Under today's approach, customers making few long-distance calls contribute less to the fund.

Martin also told the subcommittee he wants the FCC to explore "how and to what extent" the fund could assist with the deployment of high-speed Internet service in rural and low-income areas, or at least remove barriers to deployment.

The chairman reiterated his support for so-called "reverse auctions," which would award subsidies to carriers agreeing to receive the lowest subsidies. He also expressed hesitancy toward subsidizing multiple carriers in high-cost rural areas because that could "lead to inefficient and/or stranded investment and a ballooning universal service fund."

On Monday, meanwhile, the FCC said it is seeking comment on a recommendation by the agency's Federal-State Joint Board on Universal Service to impose an interim, emergency cap on USF support going to so-called competitive carriers, mostly wireless providers.

The wireless association CTIA has cried foul, arguing that the proposal would unfairly harm its members, but supporters said the temporary cap is needed to curb the fund's growth while permanent solutions are sought.

